# Final Project

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### 1 Variable

Pick one of the quantitative independent variables from the training data set (train.csv), and define that variable as X.

Pick SalePrice as the dependent variable, and define it as Y for the next analysis.

### 1.1 Variable Picked

The variable we will set to X is LotArea, which is defined as the Lot size in square feet. I chose LotArea because an anecdotal assumption is that the larger the lot size is the higher the sale price. However, living in NYC, I know that tiny lots in very desirable places have sold for a high price so I believe there may be some interesting variability.

## 2 Probability

Calculate as a minimum the below probabilities a through c.

Assume the small letter "x" is estimated as the 4th quartile of the X variable, and the small letter "y" is estimated as the 2nd quartile of the Y variable. Interpret the meaning of all probabilities.

### **2.1** a. P(X > x | Y > y)

## ## [1] 0.9369863

## **2.2 b.** P(X > x, Y > y)

## [1] 0.2342466

### **2.3** c. P(X < x | Y > y)

## [1] 0.6876712

Does splitting the training data in this fashion make them independent?

In other words, does P(X|Y) = P(X)P(Y)?

I am understanding this to mean does the probability of X>x given Y>y, which was answered for in part a. above, equal the probability of X>x mutiplied by Y>y

### **2.4** Mathematical Check for P(X|Y) = P(X)P(Y)

```
X <- sum(prob.y.x$greaterLotArea) / nrow(prob.y.x)
Y <- sum(prob.y.x$greaterSalePrice) / nrow(prob.y.x)
X * Y

## [1] 0.1875
a == (X * Y)

## [1] FALSE</pre>
```

### 2.5 Chi Square test for association.

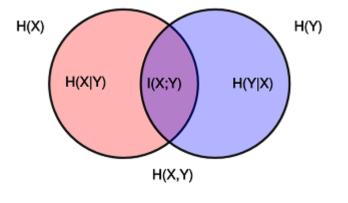
```
prob.table <- as.data.frame(rbind(cbind(sum(prob.y.x$lesserLotArea), sum(prob.y.x$greaterLotArea)), cbi.
chisq.test(prob.table)

##
## Pearson's Chi-squared test with Yates' continuity correction

##
## data: prob.table
## X-squared = 728, df = 1, p-value < 2.2e-16

We see that the p-value is quite low, lower than the assumptive .05, so we therefore reject the null hypothesis that the values are independent of each other.</pre>
```

The below venn diagram from Wikipedia may provide a clearer understanding of the differences in these measures:



[^4] By KonradVoelkel (Own work) [Public domain], via Wikimedia Commons

# 3 Descriptive and Inferential Statistics.

Provide univariate descriptive statistics and appropriate plots for both variables.

```
description <- describe(sub.train.df["LotArea"])
latex(description, file = '')</pre>
```

[^4]

sub.train.df["LotArea"]
1 Variables 1460 Observations

LotAre	LotArea														
n 1460	missing 0	distinct 1073	Info 1	Mean 10517	Gmd 5718	.05 3312	.10 5000	.25 7554	.50 9478			.95 17401			
lowest	: 1300	1477	1491	1526	1533, hi	ghest:	70761	115149	159000	164660	215245				

The histogram in the upper right corner of the table shows a right skewed distribution, which is not surprising since houses in cities would likely have similar relatively smaller lot areas versus instances of large lot areas.

```
description <- describe(sub.train.df["SalePrice"])
latex(description, file = '')</pre>
```

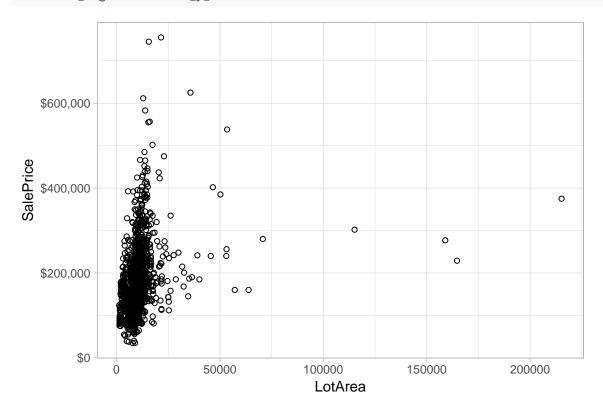
# sub.train.df["SalePrice"] 1 Variables 1460 Observations

SalePi	SalePrice													
n 1460	missing 0	distinct 663	Info 1	Mean 180921	Gmd 81086	.05 88000	.10 106475	.25 129975	.50 163000	.75 214000	.90 278000	.95 326100		
lowest :	34900	35311 3790	00 3930	40000,	highest:	582933	611657 6250	000 745000	755000					

As we can see from the histogram the shape of the data is near normal. It is interesting to visualize that lot area does not follow the same shape, this would hold with our original assumption that where the house is located has more impact than the size of the lot area.

Provide a scatterplot of X and Y.

```
ggplot(sub.train.df, aes(x = LotArea, y = SalePrice)) + geom_point(shape = 1) +
    theme_light() + scale_y_continuous(labels = dollar)
```



Transform both variables simultaneously using Box-Cox transformations.

I am using the BoxCox.lambda function from the forecast package to determine the necessary transformations for the two variables.

```
library(forecast)
library(knitr)

11 <- BoxCox.lambda(as.numeric(sub.train.df$SalePrice))
12 <- BoxCox.lambda(as.numeric(sub.train.df$LotArea))

lamdas <- c(11, 12)
Variables <- c("SalePrice", "LotArea")
dfBoxCox <- as.data.frame(cbind(round(as.numeric(lamdas),4), Variables))
colnames(dfBoxCox) <- c("$\\lambda$", "Variables")
kable(dfBoxCox, align = c("c", "c"))</pre>
```

$\lambda$	Variables
-0.3308	SalePrice
-0.1268	LotArea

### Common Box-Cox Transformations<sup>12</sup>

λ	Y'
-0.5	$Y^{-0.5} = \frac{1}{\sqrt{(Y)}}$
0	$\log(\underline{Y})^{V(T)}$
.25	$\sqrt[4]{Y}$

Lambda values were truncated to the nearest tenth that match a common transformation as per the below table.

variable	variable transformation
SalePrice	$SalePrice^{-0.5}$
LotArea	log(LotArea)

### 3.1 Correlation Analysis

Using the transformed variables, run a correlation analysis and interpret.

```
##
## Pearson's product-moment correlation
##
## data: sub.train.df.trans$SalePrice and sub.train.df.trans$LotArea
## t = -15.968, df = 1458, p-value < 2.2e-16</pre>
```

<sup>&</sup>lt;sup>1</sup>Osborne, Jason W. "Improving your data transformations: Applying the Box-Cox transformation." Practical Assessment, Research & Evaluation 15.12 (2010): 1-9.

<sup>&</sup>lt;sup>2</sup>By Understanding Both the Concept of Transformation and the Box-Cox Method, Practitioners Will Be Better Prepared to Work with Non-normal Data. "Making Data Normal Using Box-Cox Power Transformation." ISixSigma. N.p., n.d. Web. 29 Oct. 2016.

```
## alternative hypothesis: true correlation is not equal to 0
## 99 percent confidence interval:
## -0.4417063 -0.3269282
## sample estimates:
## cor
## -0.3858091
```

The p-value of the correlation test is 2.2e-16 which is less than the significance level of alpha at .05. We are using the standard alpha as there is no indication another any other value for alpha should be used. We can therefore say that the log of lot size and sale price raised to the -.5 power are significantly correlated with a negative correlation coefficient of -0.386.

Test the hypothesis that the correlation between these variables is 0 and provide a 99% confidence interval.

The correlation test has specifically done that for us and we can safely reject the null hypothesis as we see that our 99% confidence interval exists at the values (-0.441, -0.327) with a p-value < 2.2e-16.

Discuss the meaning of your analysis.

This means two possible things could have occured, there is no correlation and this data set is pulled from an unusual set of house sales. Or, more likely with the values obtained, our assumption of 0 correlation is incorect and we have obtained a very typical data set and must reject the null hypothesis because correlation does exist.

## 4 Linear Algebra and Correlation.

```
A <- cor(sub.train.df.trans)
kable(A)
```

SalePrice	LotArea
	-0.3858091 1.0000000
	1.0000000 0.3858091

Invert your correlation matrix. (This is known as the precision matrix and contains variance inflation factors on the diagonal.)

```
B <- solve(A)
kable(B)</pre>
```

	SalePrice	LotArea
SalePrice	1.1748792	0.4532792
LotArea	0.4532792	1.1748792

Multiply the correlation matrix by the precision matrix, and then multiply the precision matrix by the correlation matrix.

```
corr.by.pre.M <- A %*% B
kable(corr.by.pre.M)</pre>
```

	SalePrice	LotArea
SalePrice	1	0

	SalePrice	LotArea
LotArea	0	1

```
pre.by.corr.M <- B %*% A
kable(pre.by.corr.M)</pre>
```

	SalePrice	LotArea
SalePrice	1	0
LotArea	0	1

### 5 Calculus-Based Probability & Statistics

Many times, it makes sense to fit a closed form distribution to data. For your non-transformed independent variable, location shift it so that the minimum value is above zero.

```
min(sub.train.df$LotArea)
```

#### [1] 1300

For the independent variable chosen, there are no zero values observed. This makes sense as we would expect the lot area to have some value and I would expect it to never be unobserved (an assumption that at least estimates would be used without a true figure).

However, if a shift was required something like the below could be used.

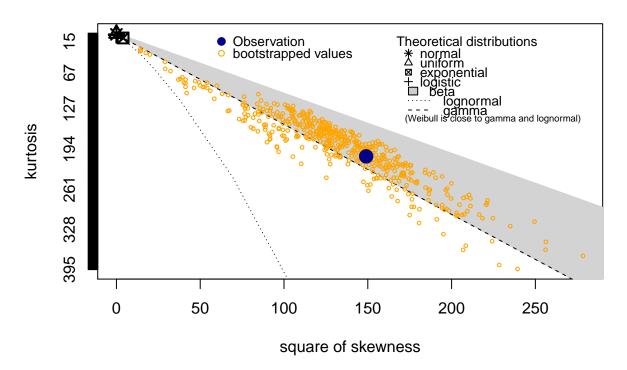
```
shift <- sub.train.df$LotArea + 1</pre>
```

Then load the MASS package and run fitdistr to fit a density function of your choice. (See https://stat.ethz.ch/R-manual/R-devel/library/MASS/html/fitdistr.html).

First lets look at what distrubtion would best fit our data.

```
library(fitdistrplus)
descdist(sub.train.df$LotArea, discrete=FALSE, boot=500)
```

# **Cullen and Frey graph**

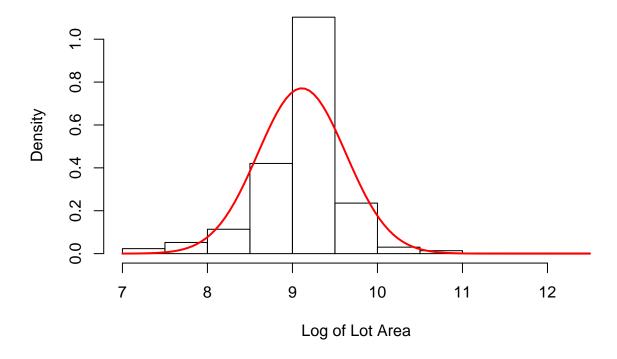


```
## summary statistics
## -----
## min: 1300 max: 215245
## median: 9478.5
## mean: 10516.83
## estimated sd: 9981.265
## estimated skewness: 12.20769
## estimated kurtosis: 206.2433
```

There were too many issues in attempting to fit the beta distribution so the next best theoretical distribution was used - log normal.

```
library(MASS)
fit.log <- fitdistr(sub.train.df$LotArea, densfun = "log-normal")
fit.log

## meanlog sdlog
## 9.110838240 0.517270830
## (0.013537596) (0.009572526)
hist(log(sub.train.df$LotArea), prob=TRUE, xlab = "Log of Lot Area", main = "")
curve(dnorm(x, fit.log$estimate[1], fit.log$estimate[2]), col="red", lwd=2, add=T)</pre>
```



From our density plot, the distribution looks quite good.

Find the optimal value of the parameters for this distribution, and then take 1000 samples from this distribution (e.g., rexp(1000) for an exponential).

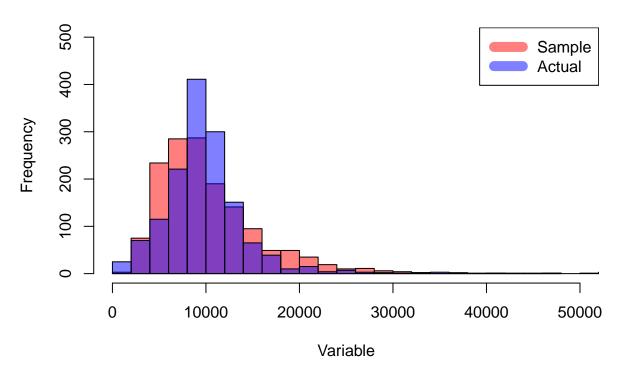
```
set.seed(1234)
sample <- rlnorm(1000, meanlog = fit.log$estimate[1], sdlog = fit.log$estimate[2])</pre>
```

Plot a histogram and compare it with a histogram of your non-transformed original variable.

```
hist(sample, pch = 20, breaks = 25, col = rgb(1,0,0,0.5), xlim = c(0,50000), ylim = c(0,500), main = 'O' hist(sub.train.df$LotArea, pch = 20, breaks = 100, col = rgb(0,0,1,0.5), add = T)

#https://www.r-bloggers.com/overlapping-histogram-in-r/
legend("topright", c("Sample", "Actual"), col=c(rgb(1,0,0,0.5), rgb(0,0,1,0.5)), lwd=10)
```





It is clear that the distributions are very similar. Plotting them overlapping gives a clear visual of how similar the distributions, note that x has been limited and does not extend out for extreme values of x.

# 6 Modeling

Build some type of regression model and submit your model to the competition board.

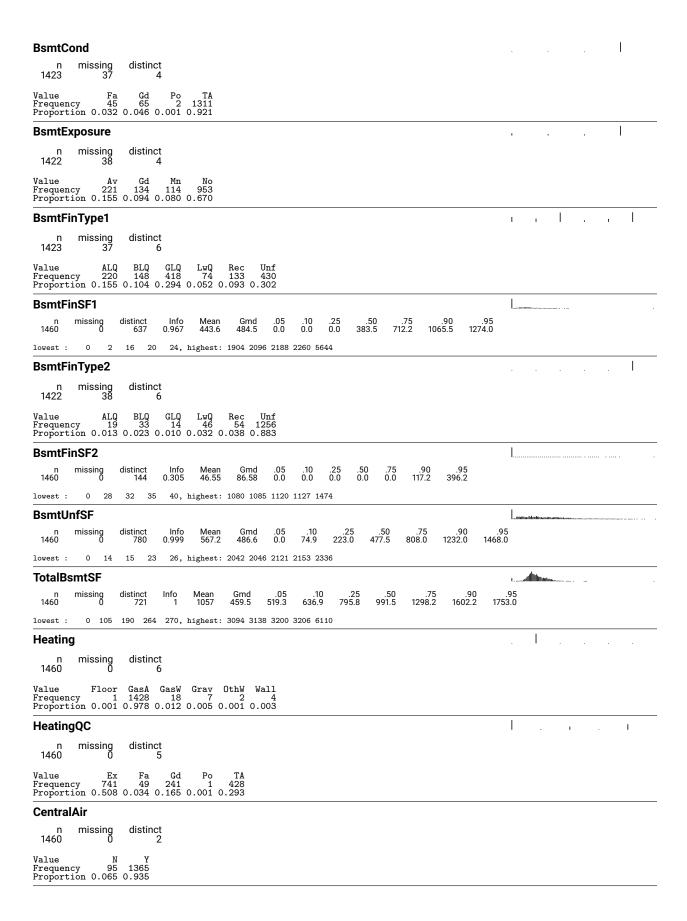
```
description <- describe(train.df %>% dplyr::select(-Id, -SalePrice))
latex(description, file = '')
```

	train.df %>% dplyr::select(-ld, -SalePrice) 79 Variables 1460 Observations															
MSSubClass														. 1		
n 1460	missing 0	distinc 1			Gmd 43.19	.05 20	.10 20	.25 20	.50 50	.75 70	.90 120	.95 160				
Value Frequenc Proporti	20 cy 536 ion 0.367	30 69 0.047 0	40 4 0.003 0	45 50 12 144 .008 0.099	299	70 60 0.041	75 16 0.011	58	85 20 0.014	52	120 87 0.060	63	180 10 0.007			
Value Frequenc Proporti	190 cy 30 ion 0.021															

MSZoning .
n missing distinct 1460 0 5
Value C (all) FV RH RL RM Frequency 10 65 16 1151 218 Proportion 0.007 0.045 0.011 0.788 0.149
LotFrontageh
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1201
lowest: 21 24 30 32 33, highest: 160 168 174 182 313
LotArea
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 1073 1 10517 5718 3312 5000 7554 9478 11602 14382 17401
lowest: 1300 1477 1491 1526 1533, highest: 70761 115149 159000 164660 215245
Street  n missing distinct
1460 0 2
Value Grvl Pave Frequency 6 1454 Proportion 0.004 0.996
Alley
n missing distinct 91 1369 2
Value Grv1 Pave Frequency 50 41 Proportion 0.549 0.451
LotShape
n missing distinct 1460 0 4
Value IR1 IR2 IR3 Reg Frequency 484 41 10 925 Proportion 0.332 0.028 0.007 0.634
LandContour
n missing distinct 1460 0 4
Value Bnk HLS Low Lv1 Frequency 63 50 36 1311 Proportion 0.043 0.034 0.025 0.898
Utilities
n missing distinct 1460 0 2
Value AllPub NoSeWa Frequency 1459 1 Proportion 0.999 0.001
LotConfig
n missing distinct 1460 0 5
Value Corner CulDSac FR2 FR3 Inside Frequency 263 94 47 4 1052 Proportion 0.180 0.064 0.032 0.003 0.721
LandSlope
n missing distinct 1460 0 3
Value Gtl Mod Sev Frequency 1382 65 13 Proportion 0.947 0.045 0.009

Neighborhood	
n missing distinct 1460 0 25	
lowest : Blmngtn Blueste BrDale BrkSide ClearCr, highest: Somerst StoneBr SWISU Timber	Veenker
Condition1	<u> l</u>
n missing distinct 1460 0 9	
Value         Artery         Feedr         Norm         PosA         PosN         RRAe         RRAn         RRNe         RRNn           Frequency         48         81         1260         8         19         11         26         2         5           Proportion         0.033         0.055         0.863         0.005         0.013         0.008         0.018         0.001         0.003	
Condition2	l
n missing distinct 1460 0 8	
Value         Artery Feedr         Norm PosA PosN RRAe RRAn RRNn           Frequency Proportion 0.001         2 6 1445 1 2 1 1 2           1 0.001         0.004         0.990 0.001 0.001 0.001 0.001 0.001 0.001	
BldgType	I
n missing distinct 1460 0 5	
Value         1Fam 2fmCon Duplex         Twnhs TwnhsE           Frequency         1220 31 52 43 114           Proportion         0.836 0.021 0.036 0.029 0.078	
HouseStyle	l
n missing distinct 1460 0 8	
Value 1.5Fin 1.5Unf 1Story 2.5Fin 2.5Unf 2Story SFoyer SLv1 Frequency 154 14 726 8 11 445 37 65 Proportion 0.105 0.010 0.497 0.005 0.008 0.305 0.025 0.045	
OverallQual	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 10 0.951 6.099 1.522 4 5 5 6 7 8 8	
Value 1 2 3 4 5 6 7 8 9 10 Frequency 2 3 20 116 397 374 319 168 43 18 Proportion 0.001 0.002 0.014 0.079 0.272 0.256 0.218 0.115 0.029 0.012	
OverallCond	
n missing distinct Info Mean Gmd 1460 0 9 0.814 5.575 1.111	
Value 1 2 3 4 5 6 7 8 9 Frequency 1 5 25 57 821 252 205 72 22 Proportion 0.001 0.003 0.017 0.039 0.562 0.173 0.140 0.049 0.015	
YearBuilt	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 1460 0 112 1 1971 33.88 1916 1925 1954 1973 2000 2006	.95 2007
lowest : 1872 1875 1880 1882 1885, highest: 2006 2007 2008 2009 2010	
YearRemodAdd	L
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .9 1460 0 61 0.997 1985 23.05 1950 1950 1967 1994 2004 200	
lowest : 1950 1951 1952 1953 1954, highest: 2006 2007 2008 2009 2010	
RoofStyle	
n missing distinct 1460 0 6	
Value         Flat         Gable Gambrel         Hip Mansard         Shed           Frequency         13         1141         11         286         7         2           Proportion         0.009         0.782         0.008         0.196         0.005         0.001	

RoofMatl	
n missing distinct 1460 0 8	
Value ClyTile CompShg Membran Metal Roll Tar&Grv WdShake WdShngl Frequency 1 1434 1 1 1 1 5 6 Proportion 0.001 0.982 0.001 0.001 0.001 0.008 0.003 0.004	
Exterior1st	
n missing distinct 1460 0 15	
Value         AsbShng         AsphShn         BrkComm         BrkFace         CBlock         CemntBd         HdBoard         ImStuce         MetalSd         P           Frequency         20         1         2         50         1         61         222         1         220           Proportion         0.014         0.001         0.001         0.034         0.001         0.042         0.152         0.001         0.151	lywood 108 0.074
Value         Stone         Stucco VinylSd Wd Sdng WdShing           Frequency         2         25         515         206         26           Proportion         0.001         0.017         0.353         0.141         0.018	
Exterior2nd	
n missing distinct 1460 0 16	
Value AsbShng AsphShn Brk Cmm BrkFace CBlock CmentBd HdBoard ImStucc MetalSd Frequency 20 3 7 25 1 60 207 10 214	Other
Proportion         0.014         0.002         0.005         0.017         0.001         0.041         0.142         0.007         0.147           Value         Plywood         Stone         Stucco         VinylSd         Wd         Sdng         Wd         Shng           Frequency         142         5         26         504         197         38	0.001
Frequency 142 5 26 504 197 38 Proportion 0.097 0.003 0.018 0.345 0.135 0.026	
MasVnrType	
n missing distinct 1452 8 4	
Value         BrkCmn         BrkFace         None         Stone           Frequency         15         445         864         128           Proportion         0.010         0.306         0.595         0.088	
MasVnrArea	L
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 1452 8 327 0.791 103.7 156.9 0 0 0 0 166 335	.95 456
lowest: 0 1 11 14 16, highest: 1115 1129 1170 1378 1600	
ExterQual	
n missing distinct 1460 0 4	
Value Ex Fa Gd TA Frequency 52 14 488 906 Proportion 0.036 0.010 0.334 0.621	
ExterCond	
n missing distinct 1460 0 5	
Value Ex Fa Gd Po TA Frequency 3 28 146 1 1282 Proportion 0.002 0.019 0.100 0.001 0.878	
Foundation	<u> </u>
n missing distinct 1460 0 6	
Value BrkTil CBlock PConc Slab Stone Wood Frequency 146 634 647 24 6 3 Proportion 0.100 0.434 0.443 0.016 0.004 0.002	
BsmtQual	
n missing distinct 1423 37 4	
Value Ex Fa Gd TA Frequency 121 35 618 649 Proportion 0.085 0.025 0.434 0.456	



Electrical
n missing distinct 1459 1 5
Value FuseA FuseF FuseP Mix SBrkr Frequency 94 27 3 1 1334 Proportion 0.064 0.019 0.002 0.001 0.914
X1stFirSF
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 753 1 1163 416.4 673.0 756.9 882.0 1087.0 1391.2 1680.0 1831.2
lowest : 334 372 438 480 483, highest: 2633 2898 3138 3228 4692
X2ndFlrSF
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 417 0.817 347 450.2 0.0 0.0 0.0 0.0 728.0 954.2 1141.0
lowest: 0 110 167 192 208, highest: 1611 1796 1818 1872 2065
LowQualFinSF
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460
lowest : 0 53 80 120 144, highest: 513 514 515 528 572
GrLivArea
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 861 1 1515 563.1 848 912 1130 1464 1777 2158 2466
lowest : 334 438 480 520 605, highest: 3627 4316 4476 4676 5642
BsmtFullBath I I
n missing distinct Info Mean Gmd 1460 0 4 0.733 0.4253 0.5085
Value 0 1 2 3 Frequency 856 588 15 1 Proportion 0.586 0.403 0.010 0.001
BsmtHalfBath
n missing distinct Info Mean Gmd 1460 0 3 0.159 0.05753 0.1088
Value 0 1 2 Frequency 1378 80 2 Proportion 0.944 0.055 0.001
FullBath .
n missing distinct Info Mean Gmd 1460 0 4 0.766 1.565 0.5521
Value 0 1 2 3 Frequency 9 650 768 33 Proportion 0.006 0.445 0.526 0.023
HalfBath I I
n missing distinct Info Mean Gmd 1460 0 3 0.706 0.3829 0.4852
Value 0 1 2 Frequency 913 535 12 Proportion 0.625 0.366 0.008
BedroomAbvGr
n missing distinct Info Mean Gmd 1460 0 8 0.815 2.866 0.818
Value 0 1 2 3 4 5 6 8 Frequency 6 50 358 804 213 21 7 1 Proportion 0.004 0.034 0.245 0.551 0.146 0.014 0.005 0.001
KitchenAbvGr
n missing distinct Info Mean Gmd 1460 0 4 0.133 1.047 0.09174
Value 0 1 2 3 Frequency 1 1392 65 2 Proportion 0.001 0.953 0.045 0.001

KitchenQual	
n missing distinct 1460 0 4	
Value Ex Fa Gd TA Frequency 100 39 586 735 Proportion 0.068 0.027 0.401 0.503	
TotRmsAbvGrd	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 12 0.958 6.518 1.762 4 5 5 6 7 9 10	
Value 2 3 4 5 6 7 8 9 10 11 12 14 Frequency 1 17 97 275 402 329 187 75 47 18 11 1 Proportion 0.001 0.012 0.066 0.188 0.275 0.225 0.128 0.051 0.032 0.012 0.008 0.001	
Functional	
n missing distinct 1460 0 7	
Value Maj1 Maj2 Min1 Min2 Mod Sev Typ Frequency 14 5 31 34 15 1 1360 Proportion 0.010 0.003 0.021 0.023 0.010 0.001 0.932	
Fireplaces	1
n missing distinct Info Mean Gmd 1460 0 4 0.806 0.613 0.6566	
Value 0 1 2 3 Frequency 690 650 115 5 Proportion 0.473 0.445 0.079 0.003	
FireplaceQu	l l
n missing distinct 770 690 5	
Value Ex Fa Gd Po TA Frequency 24 33 380 20 313 Proportion 0.031 0.043 0.494 0.026 0.406	
GarageType	. 1
n missing distinct 1379 81 6	
Value         2Types         Attchd         Basment         BuiltIn         CarPort         Detchd           Frequency         6         870         19         88         9         387           Proportion         0.004         0.631         0.014         0.064         0.007         0.281	
GarageYrBlt	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 1379 81 97 1 1979 27.63 1930 1945 1961 1980 2002 2006	.95 2007
lowest : 1900 1906 1908 1910 1914, highest: 2006 2007 2008 2009 2010	
GarageFinish	1 1
n missing distinct 1379 81 3	
Value Fin RFn Unf Frequency 352 422 605 Proportion 0.255 0.306 0.439	
GarageCars	. ı l
n missing distinct Info Mean Gmd 1460 0 5 0.802 1.767 0.7609	
Value 0 1 2 3 4 Frequency 81 369 824 181 5 Proportion 0.055 0.253 0.564 0.124 0.003	
GarageArea	Ltitimihlililililim
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .9 1460 0 441 1 473 234.9 0.0 240.0 334.5 480.0 576.0 757	
lowest: 0 160 164 180 186, highest: 1220 1248 1356 1390 1418	

GarageQual	
n missing distinct 1379 81 5	
Value Ex Fa Gd Po TA Frequency 3 48 14 3 1311 Proportion 0.002 0.035 0.010 0.002 0.951	
GarageCond	<u> </u>
n missing distinct 1379 81 5	
Value Ex Fa Gd Po TA Frequency 2 35 9 7 1326 Proportion 0.001 0.025 0.007 0.005 0.962	
PavedDrive	
n missing distinct 1460 0 3	
Value N P Y Frequency 90 30 1340 Proportion 0.062 0.021 0.918	
WoodDeckSF	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 274 0.858 94.24 125 0 0 0 0 168 262 335	
lowest: 0 12 24 26 28, highest: 668 670 728 736 857	
OpenPorchSF	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 202 0.909 46.66 62.43 0 0 0 25 68 130 175	
lowest: 0 4 8 10 11, highest: 406 418 502 523 547	
EnclosedPorch	
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 120 0.369 21.95 39.39 0.0 0.0 0.0 0.0 112.0 180.1	
lowest: 0 19 20 24 30, highest: 301 318 330 386 552	
X3SsnPorch           n         missing 1460         distinct 0         Info Mean 0         Gmd 0         .05 .10 .25 .50 .75 .90 .95 .95 .95 .95 .95 .95 .95 .95 .95 .95	I
Value 0 23 96 130 140 144 153 162 168 180 182 196 216 Frequency 1436 1 1 1 1 2 1 1 3 2 1 1 2 2 1 1 2 2 1 1 1 2 2 1 1 1 2 2 1 1 1 2 2 1 1 1 2 2 1 1 1 2 2 2 1 1 1 2	238 1 0.001
Value 245 290 304 320 407 508 Frequency 1 1 1 1 1 1 1 Proportion 0.001 0.001 0.001 0.001 0.001	
ScreenPorch	<u> </u>
n missing distinct Info Mean Gmd .05 .10 .25 .50 .75 .90 .95 1460 0 76 0.22 15.06 28.27 0 0 0 0 0 0 160	
lowest : 0 40 53 60 63, highest: 385 396 410 440 480	
PoolArea	
n missing distinct Info Mean Gmd 1460 0 8 0.014 2.759 5.497	
Value 0 480 512 519 555 576 648 738 Frequency 1453 1 1 1 1 1 1 1 1 1 1 1 1 1 Proportion 0.995 0.001 0.001 0.001 0.001 0.001 0.001 0.001	
PoolQC	1 I I
n missing distinct 7 1453 3	
Value Ex Fa Gd Frequency 2 2 3 Proportion 0.286 0.286 0.429	

```
Fence
                                                                                        , l .
      missing
1179
                distinct
4
 281
Value GdPrv GdWo MnPrv MnWw
Frequency 59 54 157 11
Proportion 0.210 0.192 0.559 0.039
MiscFeature
     missing
1406
               distinct
Gar2 Othr Shed TenC
MiscVal
        missing
                                                                               .95
0
                 distinct
21
                                         Gmd
                           Info
                                 Mean
                                                .05
 1460
                         0.103
                                 43.49
                      350 400
                                  450
                                        500
                                              550
                                                    600
                                                         700
                                                               800 1150 1200 1300 1400
Frequency 1408 1 1 11 4 10 1 5 5 1 1 2 1 1 Proportion 0.964 0.001 0.001 0.008 0.003 0.007 0.001 0.003 0.003 0.001 0.001 0.001 0.001 0.001
           2000 2500 3500 8300 15500
Frequency 4 1 1 1 1 1 Proportion 0.003 0.001 0.001 0.001 0.001
MoSold
                                                                                     n
1460
        missing
                 distinct
12
                         Info
0.985
                                 Mean
6.322
                                        Gmd
3.041
                                               .05
                                                     .10
                                                          .25
                                                                          .90
10
                                                                               .95
11
YrSold
                                                                                     1
                                                                                          1
                                                                                               1
                                                                                                    distinct
5
        missing
                         Info
0.955
                                 Mean
                                         Gmd
 1460
                                 2008
                                        1.498
Value
                      2008 2009
Frequency 314 329 304 338 175
Proportion 0.215 0.225 0.208 0.232 0.120
SaleType
                                                                                     missing
0
                 distinct
 n
1460
Con ConLD ConLI ConLw
SaleCondition
       missing
 n
1460
                 distinct
          Abnorml AdjLand Alloca Family 101 4 12 20 0.069 0.003 0.008 0.014
Value
                                         Normal Partial
                                          1198
0.821
                                                  125
0.086
Frequency
Proportion
      In the variable listing we see many columns with NA values. To simplify our model lets exclude
      any columns with NAs.
library(leaps)
train.df.2 <- train.df[ , colSums(is.na(train.df)) == 0]</pre>
subsetModel <- regsubsets(SalePrice ~ ., data = train.df.2,</pre>
                                nbest = 1, really.big = T, method = "seqrep")
## Reordering variables and trying again:
summary <- summary(subsetModel, matrix.logical = TRUE)</pre>
```

kable(t(summary\$outmat))

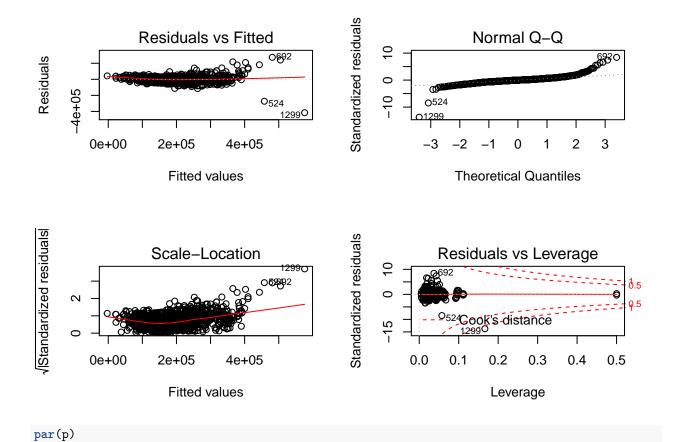
	1(1)	2(1)	3(1)	4(1)	5(1)	6(1)	7(1)	8(1)	9(1)
	1(1)	2(1)	3(1)	4(1)	5(1)	6(1)	7(1)	8(1)	9(1)
Id	FALSE								
MSSubClass	FALSE	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE
MSZoningFV	FALSE								
MSZoningRH	FALSE								
MSZoningRL	FALSE								
MSZoningRM	FALSE								
LotArea	FALSE								
StreetPave	FALSE								
LotShapeIR2	FALSE								
LotShapelR3	FALSE								
LotShapeReg	FALSE								
LandContourHLS	FALSE								
LandContourLow	FALSE								
LandContourLvl	FALSE								
UtilitiesNoSeWa	FALSE								
LotConfigCulDSac	FALSE								
LotConfigFR2	FALSE								
LotConfigFR3	FALSE								
LotConfigInside	FALSE								
LandSlopeMod	FALSE								
LandSlopeSev	FALSE								
NeighborhoodBlueste	FALSE								
NeighborhoodBrDale	FALSE								
NeighborhoodBrkSide	FALSE								
NeighborhoodClearCr	FALSE								
NeighborhoodCollgCr	FALSE								
NeighborhoodCrawfor	FALSE								
NeighborhoodEdwards	FALSE								
NeighborhoodGilbert	FALSE								
NeighborhoodIDOTRR	FALSE								
NeighborhoodMeadowV	FALSE								
NeighborhoodMitchel	FALSE								
NeighborhoodNAmes	FALSE								
NeighborhoodNoRidge	FALSE	TRUE	TRUE						
NeighborhoodNPkVill	FALSE								
NeighborhoodNridgHt	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE	TRUE
NeighborhoodNWAmes	FALSE								
NeighborhoodOldTown	FALSE								
NeighborhoodSawyer	FALSE								
NeighborhoodSawyerW	FALSE								
NeighborhoodSomerst	FALSE								
NeighborhoodStoneBr	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE
NeighborhoodSWISU	FALSE								
NeighborhoodTimber	FALSE								
NeighborhoodVeenker	FALSE								
Condition1Feedr	FALSE								
Condition1Norm	FALSE								
Condition1PosA	FALSE								
Condition1PosN	FALSE								
Condition1RRAe	FALSE								

-									
	1(1)	2(1)	3(1)	4 (1)	5(1)	6(1)	7(1)	8 (1)	9(1)
Condition1RRAn	FALSE								
Condition1RRNe	FALSE								
Condition1RRNn	FALSE								
Condition2Feedr	FALSE								
Condition2Norm	FALSE								
Condition2PosA	FALSE								
Condition2PosN	FALSE								
Condition2RRAe	FALSE								
Condition2RRAn	FALSE								
Condition2RRNn	FALSE								
BldgType2fmCon	FALSE								
BldgTypeDuplex	FALSE								
BldgTypeTwnhs	FALSE								
BldgTypeTwnhsE	FALSE								
HouseStyle1.5Unf	FALSE								
HouseStyle1Story	FALSE								
HouseStyle2.5Fin	FALSE								
HouseStyle2.5Unf	FALSE								
HouseStyle2Story	FALSE								
HouseStyleSFoyer	FALSE								
HouseStyleSLvl	FALSE								
OverallQual	TRUE								
OverallCond	FALSE								
YearBuilt	FALSE	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	FALSE
YearRemodAdd	FALSE	TRUE							
RoofStyleGable	FALSE								
RoofStyleGambrel	FALSE								
RoofStyleHip	FALSE								
RoofStyleMansard	FALSE								
RoofStyleShed	FALSE								
RoofMatlCompShg	FALSE								
RoofMatlMembran	FALSE								
RoofMatlMetal	FALSE								
RoofMatlRoll	FALSE								
RoofMatlTar&Grv	FALSE								
RoofMatlWdShake	FALSE								
RoofMatlWdShngl	FALSE								
Exterior1stAsphShn	FALSE								
Exterior1stBrkComm	FALSE								
Exterior1stBrkFace	FALSE								
Exterior1stCBlock	FALSE								
Exterior1stCemntBd	FALSE								
Exterior1stHdBoard	FALSE								
Exterior1stImStucc	FALSE								
Exterior1stMetalSd	FALSE								
Exterior1stNetalod Exterior1stPlywood	FALSE								
Exterior1st1 lywood Exterior1stStone	FALSE								
Exterior1stStucco	FALSE								
Exterior1stVinylSd	FALSE								
Exterior1stWd Sdng	FALSE								
Exterior1stWdShing	FALSE								
Exterior2ndAsphShn	FALSE								
ExteriorZiluAspiloriii	IALSE	IALOL							

	1(1)	2(1)	3(1)	4 (1)	5(1)	6(1)	7(1)	8 (1)	9(1)
Exterior2ndBrk Cmn	FALSE								
Exterior2ndBrkFace	FALSE								
Exterior2ndCBlock	FALSE								
Exterior2ndCmentBd	FALSE								
Exterior2ndHdBoard	FALSE								
Exterior2ndImStucc	FALSE								
Exterior2ndMetalSd	FALSE								
Exterior2ndOther	FALSE								
Exterior2ndPlywood	FALSE								
Exterior2ndStone	FALSE								
Exterior2ndStucco	FALSE								
Exterior2ndVinylSd	FALSE								
Exterior2ndWd Sdng	FALSE								
Exterior2ndWd Shng	FALSE								
ExterQualFa	FALSE								
ExterQualGd	FALSE								
ExterQualTA	FALSE								
ExterCondFa	FALSE								
ExterCondGd	FALSE								
ExterCondPo	FALSE								
ExterCondTA	FALSE								
FoundationCBlock	FALSE								
FoundationPConc	FALSE								
FoundationSlab	FALSE								
FoundationStone	FALSE								
FoundationWood	FALSE								
BsmtFinSF1	FALSE	FALSE	TRUE						
BsmtFinSF2	FALSE								
BsmtUnfSF	FALSE								
TotalBsmtSF	FALSE								
HeatingGasA	FALSE								
HeatingGasW	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE	FALSE
HeatingGrav	FALSE	<b>FALSE</b>	FALSE						
HeatingOthW	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
HeatingWall	FALSE	FALSE	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
HeatingQCFa	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
HeatingQCGd	FALSE	FALSE	<b>FALSE</b>	<b>FALSE</b>	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
HeatingQCPo	FALSE	<b>FALSE</b>	FALSE						
HeatingQCTA	FALSE	FALSE	<b>FALSE</b>	FALSE	<b>FALSE</b>	<b>FALSE</b>	FALSE	<b>FALSE</b>	FALSE
CentralAirY	FALSE	<b>FALSE</b>							
X1stFlrSF	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	<b>FALSE</b>	FALSE	FALSE	FALSE
X2ndFlrSF	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE	FALSE	FALSE
LowQualFinSF	<b>FALSE</b>								
GrLivArea	<b>FALSE</b>	TRUE							
BsmtFullBath	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE	FALSE	FALSE
BsmtHalfBath	FALSE	<b>FALSE</b>	<b>FALSE</b>	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
FullBath	FALSE	<b>FALSE</b>	<b>FALSE</b>	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE	FALSE
HalfBath	<b>FALSE</b>	FALSE							
BedroomAbvGr	FALSE								
KitchenAbvGr	<b>FALSE</b>	FALSE							
KitchenQualFa	FALSE								
KitchenQualGd	FALSE								

	1(1)	2(1)	3(1)	4(1)	5(1)	6(1)	7(1)	8(1)	9(1)
KitchenQualTA	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
TotRmsAbvGrd	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE
FunctionalMaj2	FALSE	<b>FALSE</b>	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE	FALSE
FunctionalMin1	FALSE	<b>FALSE</b>	FALSE	FALSE	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
FunctionalMin2	FALSE	<b>FALSE</b>	FALSE	FALSE	FALSE	<b>FALSE</b>	<b>FALSE</b>	<b>FALSE</b>	FALSE
FunctionalMod	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE
FunctionalSev	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
FunctionalTyp	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE
Fireplaces	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE
GarageCars	FALSE	FALSE	FALSE	TRUE	TRUE	FALSE	FALSE	<b>FALSE</b>	TRUE
GarageArea	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE
PavedDriveP	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	<b>FALSE</b>	FALSE
PavedDriveY	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
WoodDeckSF	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
OpenPorchSF	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
EnclosedPorch	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
X3SsnPorch	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
ScreenPorch	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
PoolArea	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
MiscVal	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
MoSold	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
YrSold	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeCon	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeConLD	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeConLl	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeConLw	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeCWD	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeNew	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeOth	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleTypeWD	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleConditionAdjLand	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleConditionAlloca	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleConditionFamily	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleConditionNormal	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
SaleConditionPartial	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE

Based on the last best model we will limit the data set to the following variables MSSubClass, Neighborhood-NoRidge, NeighborhoodNridgHt, NeighborhoodStoneBr, OverallQual, YearRemodAdd, BsmtFinSF1, GrLivArea, GarageCars.



I am slightly concerned that the residual plot does not look like a shotgun pattern. My assumption is that the high influence points and/or outliers may be impacting the model. Outlier treatment may improve the model but the model is currently sufficient for our purposes.

```
library(car)
library(data.table)
lmfit <- setDT(as.data.frame(car::vif(fit)), keep.rownames = TRUE)[]
lmfit$Adjusted_GVIF <- (lmfit$^GVIF^(1/(2*Df))^2)
kable(lmfit, align = c("l", "c", "c", "c", "c"))</pre>
```

rn	GVIF	Df	GVIF^(1/(2*Df))	Adjusted_GVIF
MSSubClass	1.412246	1	1.188379	1.412246
Neighborhood	5.575916	24	1.036450	1.074228
OverallQual	3.035516	1	1.742273	3.035516
YearRemodAdd	1.786865	1	1.336737	1.786865
BsmtFinSF1	1.231322	1	1.109649	1.231322
GrLivArea	1.980075	1	1.407151	1.980075
GarageCars	1.928807	1	1.388815	1.928807

Using GVIF<sup>(1/(2\*Df)) 3</sup> in order to verify that the VIF threshold of 5 for multicollinearity is not exceed. Fortunately, we find that no variable exceeds the threshold and we do not need to adjust for multicollinearity.

<sup>3</sup>"Which Variance Inflation Factor Should I Be Using: GVIF or  $textGVIF^{1/(2cdottextdf)}$ ?" R. N.p., n.d. Web. 13 Nov. 2016.

### 6.1 The final model

Provide your complete model summary and results with analysis.

#### Table 8

	Table 8:
	Dependent variable:
	SalePrice
Constant	-621,777.700*** (111,442.300)
MSSubClass	-252.678*** (24.405)
NeighborhoodBlueste	-12,510.880 (24,882.880)
NeighborhoodBrDale	-16,417.030 (11,866.240)
NeighborhoodBrkSide	-14,640.440 (9,753.068)
NeighborhoodClearCr	7,771.633 (10,647.930)
NeighborhoodCollgCr	-8,855.995 (8,742.258)
NeighborhoodCrawfor	7,447.104 (9,729.488)
NeighborhoodEdwards	-24,629.000*** (9,317.138)
NeighborhoodGilbert	-12,303.590 (9,065.933) <sup>*</sup>
NeighborhoodIDOTRR	-25,820.490** (10,379.870)
NeighborhoodMeadowV	1,205.989 (11,879.710)
NeighborhoodMitchel	-18,072.460* (9,692.696)
NeighborhoodNAmes	-18,834.730** (8,971.063)
NeighborhoodNoRidge	40,530.480*** (10,050.780)
NeighborhoodNPkVill	-9,409.847 (13,823.590) ·
NeighborhoodNridgHt	49,514.520*** (9,100.426)
NeighborhoodNWAmes	-21,429.510** (9,344.861)
NeighborhoodOldTown	-31,650.010*** (9,111.020)
NeighborhoodSawyer	-19,047.140** (9,502.205)
NeighborhoodSawyerW	-15,759.290* (9,404.611)
NeighborhoodSomerst	7,011.384 (8,880.182)
NeighborhoodStoneBr	55,104.420*** (10,602.380)
NeighborhoodSWISU	-27,693.620** (11,081.320)
NeighborhoodTimber	3,500.186 (9,974.428)
NeighborhoodVeenker	25,505.000* (13,027.270)
OverallQual	16,039.450*** (1,094.370)
YearRemodAdd	310.102*** (56.246)
BsmtFinSF1	23.326*** (2.113)
GrLivArea	52.970*** (2.326)
GarageCars	11,974.750*** (1,614.394)
Observations	1,460
$R^2$	0.829
Adjusted R <sup>2</sup>	0.826
Residual Std. Error	33,181.540 (df = 1429)
F Statistic	231.137*** (df = 30; 1429) (p = 0.000)
Note:	*p<0.1; **p<0.05; ***p<0.01

#### Prediction results with test data set

First there are some observations that are missing values included in our model. For this reason, we will use imputation to complete the cases so our predictions can be carried out.

```
test.df <- as_tibble(read.csv(paste("https://raw.githubusercontent.com/", "ChristopheHunt/",
                                      "MSDA---Coursework/master",
                                      "/Data%20605/Final%20Project/test.csv", sep = "")))
library(missForest)
registerDoParallel(cl = makeCluster(8), cores = 8)
set.seed(1234)
test.df.imp <- as.data.frame(test.df %>% dplyr::select(Id, MSSubClass, Neighborhood, OverallQual, YearR
write.csv(test.df.imp$ximp,"imputed_test_data.csv", row.names = FALSE) #wrote imputed_data to csv file
test.df <- as_tibble(read.csv(paste("https://raw.githubusercontent.com/", "ChristopheHunt/",
                                      "MSDA---Coursework/master",
                                      "/Data%20605/Final%20Project/imputed test data.csv", sep = "")))
SalePrice.predict <- predict.lm(fit, type = "response", newdata = test.df)</pre>
test.df.wpredict <- cbind(test.df %>% dplyr::select(Id), round(SalePrice.predict,0))
colnames(test.df.wpredict)[2] <- c("SalePrice")</pre>
pandoc.table(head(test.df.wpredict), split.table = Inf)
## -----
##
  Id
       SalePrice
## 1461
         112993
##
## 1462
         161652
## 1463
         179227
##
## 1464
         189533
##
## 1465
         246930
##
## 1466
         176952
## -----
gz1 <- gzfile("submission.csv.gz", "w")</pre>
write.csv(test.df.wpredict, gz1, row.names = FALSE)
close(gz1)
```

Kaggle.com user name: Kaggle.com score: